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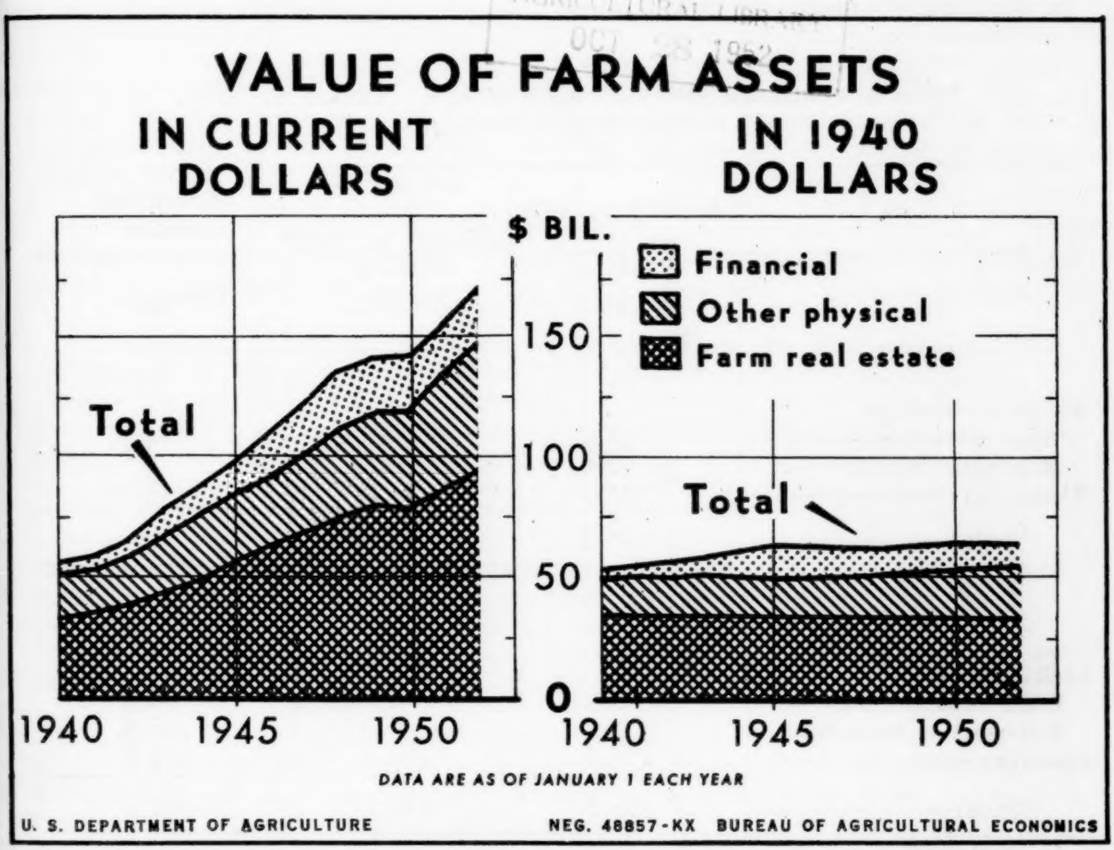

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AGRICULTURAL FINANCE REVIEW

Approved by the Outlook and Situation Board, October 17, 1952.

Farm Financial Outlook for 1953

Total assets of American agriculture, valued at current prices and including the fiancial assets of farmers, are expected to reach $172.1 billion by January 1, 1953 (table 1). This would be only 2 percent above the valuation for January 1, 1952, compared with increases of 12 percent in 1950 and 9 percent in 1951.

Table 1.- Balance sheet of agriculture, January 1, 1952, and estimated for January 1, 1953

Item	January 1, 1952	Estimated for January 1, 1953	Percentage change
	Billion dollars	Billion dollars	Percent
ASSETS			
Physical assets:			
Real estate	93.9	96.0	+2.2
Non-real-estate	1/ 52.0	52.0	0
Financial assets	22.9	24.1	+5.2
Total	1/168.8	172.1	+2.0
CLAIMS			
Liabilities:			
Real estate debt	6.3	6.7	+6.3
Non-real-estate debt	7.9	9.2	+16.5
Equities	1/ 154.6	156.2	+1.0
Total	1/ 168.8	172.1	+2.0

1/ Revised.

Increases in value over January 1, 1952 are expected for each type of physical farm asset except livestock. Farm real estate is expected to be up about 2 percent because of higher values per acre; the values of machinery and motor vehicles, crops, and household furnishings and equipment are expected to be higher because of greater quantities on farms. Although livestock numbers are expected to be higher on January 1, 1953 than they were a year earlier, indicated prices are sufficiently lower to suggest a decline of about 8 percent in the value of the livestock inventory.

The financial assets of farmers are also expected to be higher on January 1, 1953 than a year earlier. Bank deposits, currency, and United States Savings Bonds are often described as liquid financial assets because of their stable value in dollars and their immediate convertibility. An increase of $1 billion (from 20.5 to 21.5 billion) is indicated for 1952 in those assets. This increase, however, should be viewed against the background of a 1.7-billion-dollar increase in farm debts, including Commodity Credit Corporation loans. Many farmers are increasing their liquid financial assets by borrowing as well as by saving.

Indicated increases in farm debts for 1952 are $400 million, or 6 percent, for mortgage debt and $1.3 billion, or nearly 17 percent, for non-real-estate debt, including CCC loans. These increases are occurring because of rising expenditures for the operation of farms, farmers' needs for large working balances, and continued investment by farmers in land, livestock, and farm and home improvements. Also, greater production and somewhat lower prices of farm products are increasing the volume of price-support loans.

Because of higher farm debts, the equities of owners will not increase as much as the financial assets and the value of the farm physical assets. These equities are expected to increase only 1 percent during 1952.

In physical terms, as measured by valuations at 1940 prices, the farm plant is continuing to increase and to improve as in other recent years. An increase of about 4 percent is indicated for 1952 in the aggregate quantity of livestock, machinery and motor vehicles, and stored crops. Additions and improvements are also being made to farm real estate and to household furnishings and equipment. Moreover, the liquid financial reserves of farmers are expected to show a gain of about 5 percent in purchasing power, notwithstanding a small increase in prices paid by farmers. The burden of farm debts (other than price-support loans), as measured by the quantity of farm products required to repay them, is expected to increase about 12 percent during 1952 as a result of an increase in the amount of farm debt and a decline in the prices received by farmers.

Cash receipts from marketings of farm products in 1953 are not likely to exceed the $33.5 billion estimated for 1952, as slightly lower farm prices are indicated. Costs of most farm production items and wage rates are likely to increase gradually during 1953. Interest and tax charges per acre will also be higher. As a result, the realized net income of farm operators is likely to fall below the $14.2 billion estimated for 1952, and the purchasing power of net farm income may be near the postwar low of 1950.

If the demand for farm products should weaken following 1953, both farm income and the value of agricultural assets probably would decline, as they did in 1949. The major dollar decline in farm asset values would probably occur in farm real estate because of its magnitude. Greater percentage price declines, however, could be expected in livestock and crop inventories, as these are more immediately responsive to changes in supply-demand relationships. Farmers' holdings of liquid financial reserves probably would decline - or, at least, would cease to grow - and

there might also be a leveling off of total farm debt. Mortgage debt, however, would probably continue its upward trend, as it is likely that considerable amounts of short-term debts would be refinanced with mortgage loans, and that prepayments of mortgage debt would decline.

General Economic Conditions Affecting Agriculture

Domestic demand for farm products is expected to continue high during 1953. Employment will be maintained at a high level. Wage rates and consumer incomes probably will rise moderately at least until midyear, and for the year as a whole are likely to average higher than in 1952. However, economic activity may level off in the latter part of the year if outlays for the defense program are stabilized and if investment spending declines moderately as many expansion programs are completed. Exports of United States farm products in the current fiscal year are down from record levels a year ago and probably will continue at reduced levels through 1953.

Farm production in 1953 probably will be maintained around the record 1952 level if growing conditions are not unfavorable. Livestock marketings will increase with the uptrend in cattle production, and marketings of vegetable crops also probably will increase. Prices received by farmers this year are averaging about 3 percent below 1951. Some further easing in prices seems likely for 1953 particularly for meat animals and vegetables.

Cash receipts from marketings are not likely to exceed the $33.5 billion estimated for 1952. Cost rates for most commodities used in farm production and wage rates are likely to inch gradually upward over the coming year. Interest and tax charges per acre also will be higher. With no increase in cash receipts and costs slightly higher, realized net income of farm operators is likely to be somewhat smaller than the $14.2 billion estimated for 1952 and substantially below 1947 and 1948.

Economic conditions in 1953, as in other recent years will depend largely on international developments and the size and timing of the defense program. Prospects for further expansion in national security expenditures and for continued relatively large business outlays for new plant and equipment point to a sustained high level of employment and some further increase in consumer income and in consumer buying through most of 1953. However, if the international situation permits the rate of security spending to be stabilized in the second half of 1953, economic activity may level off some time in the latter part of the year. Increased demands on the economy in prospect for 1953 are likely to be met without strain on productive resources or significant upward pressure on prices.

Implications of the Outlook

The current outlook is that the agricultural situation in general will remain throughout 1953 about the same as now. However, farmers must recognize the ever-present possibility of change, particularly when, as now, international tensions are great.

On the whole, agriculture is well situated to adapt itself to a change in either direction. The farm plant is in good condition, farm debts are low in relation to both farm income and farm asset values, and financial reserves of farmers are substantial. However, many individuals farmers have poor equipment and little in the nature of financial reserves. Some have burdensome debts. For these farmers less favorable agricultural conditions at some future time could have serious consequences.

Farmers who would be seriously affected by less favorable conditions would be well advised to strengthen their positions as much as possible while conditions are still favorable. The wisdom of this policy rests on the principle that it is desirable to be prepared for change in either direction. Present farm investments are mostly of the type that would gain from improved conditions, but one or more of the following courses of action would be advisable as a means of preparing for possible lower farm prices and incomes.

For some farmers the wisest course is to accumulate liquid financial assets while agricultural conditions are favorable. If farm income should decline, these liquid financial assets would help farmers to meet their living and operating expenses and the installments on their debts. Moreover, these assets would increase in purchasing power if farm costs declined. Such action would have the additional advantage of helping to curb any inflationary forces that may develop in the immediate future while governmental expenditures for national defense are still increasing.

Not all farmers, however, can or should reduce their current expenditures to the extent necessary to increase appreciably their liquid financial assets. Some, even now, have such low incomes and such poorly equipped farms that they would be seriously affected by a decline in farm prices. For them the main need is to increase production or reduce their unit costs. This may call for expenditures for farm improvement even beyond current income. However, among farmers who need additional financial reserves are many who could defer some farm and home improvements and reduce expenditures for farm machinery, home appliances, and living expenses without impairing their farming efficiency or materially lowering their living level. These are the farmers who would find it most practicable to build up liquid financial assets.

Many farmers would find it advantageous to accumulate a specific reserve for depreciation of their machinery and buildings. Such a reserve would be useful, not only to provide for necessary replacements but also as a control over expenditures. Although farmers generally recognize that machinery and buildings wear out, relatively few count this annual depreciation as a charge against their current income. As a result, many consider that all of their net cash income is available for current living. However, an amount equal to the annual depreciation of machinery and buildings must be withheld if they are not to spend more than they make. This reserve need not be held in cash: it can be invested in livestock, equipment, or improvements for the farm or in other earning assets. But with indications that less favorable agricultural conditions may lie ahead, many

farmers would be well advised to hold such a reserve in the form of bank deposits or United States Savings Bonds so that it will be readily available when needed.

A third measure that would be advisable for some farmers is to convert short-term debts into long-term debts. The object would be to reduce annual interest charges and lengthen the period of repayment. This measure is not practicable for farmers who borrow merely to finance annual production expenses or whose debts can be paid in a year or so. But it would be advantageous for farmers whose short-term debts are so large as to require several years for repayment. Interest rates on mortgage loans are usually lower than those on short-term loans, and, if farm income should decline, a longer period of repayment might be needed. The farmer who requires several years for repayment will be better protected if he is not legally liable to pay in 6 months or 1 year.

Some farmers could most effectively strengthen their positions by reducing their debts while agricultural conditions are favorable. This is particularly true of farmers who still owe crop loans carried over from previous years and who have difficulty in obtaining credit needed to finance their current operations. Even though considerable sacrifices may be required, these farmers would be wise to pay their carry-over loans as rapidly as possible so that they can get adequate credit for future production. Other farmers who have already accumulated an adequate financial reserve but who nevertheless have sizable debts would do well to reduce unessential expenses, and make substantial payments on their loans, thus preventing their debts from becoming burdensome if later farm income should decline. Usually, however, it is better for farmers to accumulate some financial reserve than to pay debts that are not pressing, as the financial reserve can be used at any time for debt-payment and it will serve other purposes also.

Although not related directly to the current outlook, the need for more adequate insurance is a matter which many farmers should consider. During the rapid increase in building values since 1940, many farmers have not increased their insurance coverage in line with the increase in replacement costs. Farm machinery and livestock have been insured for only small fractions of their actual values. Uninsured losses are unwelcome at any time, but they were less serious to farmers while farm income was mounting rapidly than they will be if farm income falls. By carrying adequate insurance farmers can protect themselves against losses that might prove catastrophic.

Over and above these financial measures, farmers should look forward to the adjustments they would find desirable in their farming operations if farm income should turn downward, and take such preparatory steps as they can. If the readjustments are started now while conditions are relatively favorable, they can be completed more easily later on when conditions may be less favorable. Moreover, every effort should be made to improve farming methods - to increase crop yields, get better gains from livestock, and otherwise to lower per unit costs - as only through increased efficiency can farmers hold their own in a time of declining demand for their production.

Farm Real Estate

Some further small increase, possibly 2 or 3 percent, can be expected in the over-all level of farm real estate values by early 1953. Some easing could develop during the latter part of 1953, however, if farm production and income are in line with present expectations. This could reduce the general level of values somewhat below the present by early 1954.

Farm land and buildings were valued at about $94 billion in early 1952 - 56 percent of all farm assets. This is about $8 billion, or 9 percent, higher than in early 1951; the total gain since the outbreak of hostilities in Korea is 25 percent.

On July 1, 1952, the index of farm real estate values for the country as a whole had reached 213 (1912-14 = 100), a new record which was 5 percent above that of a year earlier and 24 percent above the pre-Korean level of July 1950. However, the increase of only 1 percent during the period March-July 1952 is the smallest for any 4-month period since the Korean outbreak. Also, the increase during the year ended July 1952 was only a third as large as that during the previous year.

General over-all stability in prices of farm products during the first half of 1952, together with some slackening in inflationary pressures in the nonagricultural segment of the economy, is largely responsible for slowing the rise in farm land prices. Rising farm production costs and some concern as to the future trend of farm income have also reduced the demand at current prices and slowed down farm real estate activity. The number of farms on the market continues to be low.

The rate of increase in values during the last 2 years has varied by regions (figs. 1 and 2). They have also varied widely among type-of-farming areas. Since prewar, the largest increase in land values has occurred in the winter-wheat areas, where average values on March 1952 were more than two and a half times above the 1935-39 average (fig. 3). This area also showed the largest increase during the year following the Korean outbreak. The tobacco area ranks second in amount of increase since 1935-39, and the cotton area third. The smallest increase during this period occurred in the dairy, spring-wheat, and Lake States cut-over areas.

Differences among type-of-farming areas, however, in the amount of increase since March 1950 are less noticeable than for the longer period, although the winter-wheat and tobacco areas again showed the largest gain (table 2). Increases during the year ended March 1952 were most pronounced in the tobacco, cotton, and spring-wheat areas, but were less than those of the previous year in all areas.

Values in some areas may have reached a level that cannot be maintained by current and prospective income. Historically, during sharp uptrends in land value and income, as from 1915 to 1919 and from 1940 to 1948, the percentage increase in land values has been only about half as much as the increase in gross farm income. During the last 2 years,

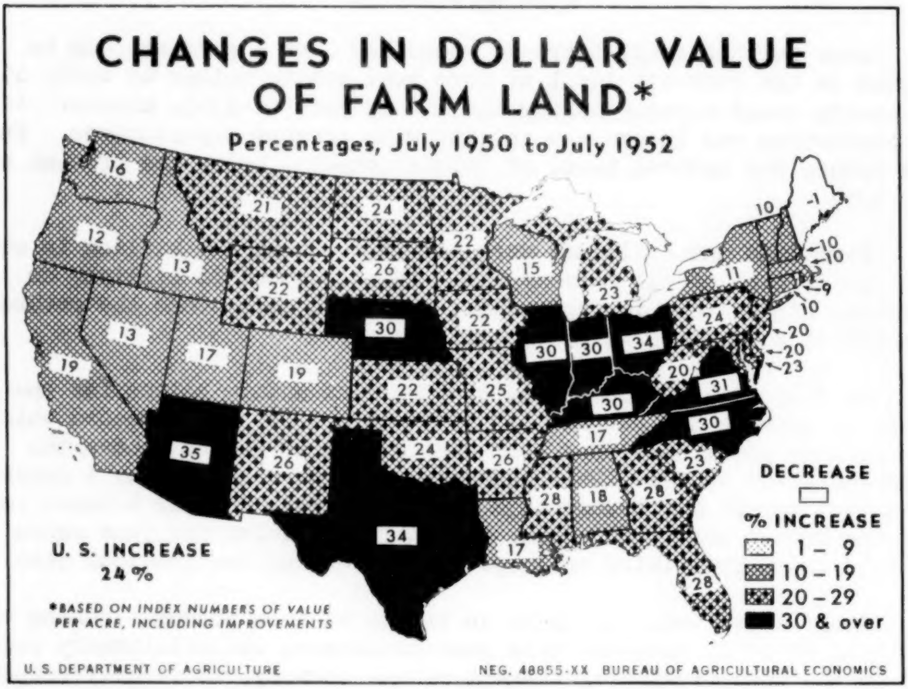

FIGURE 1

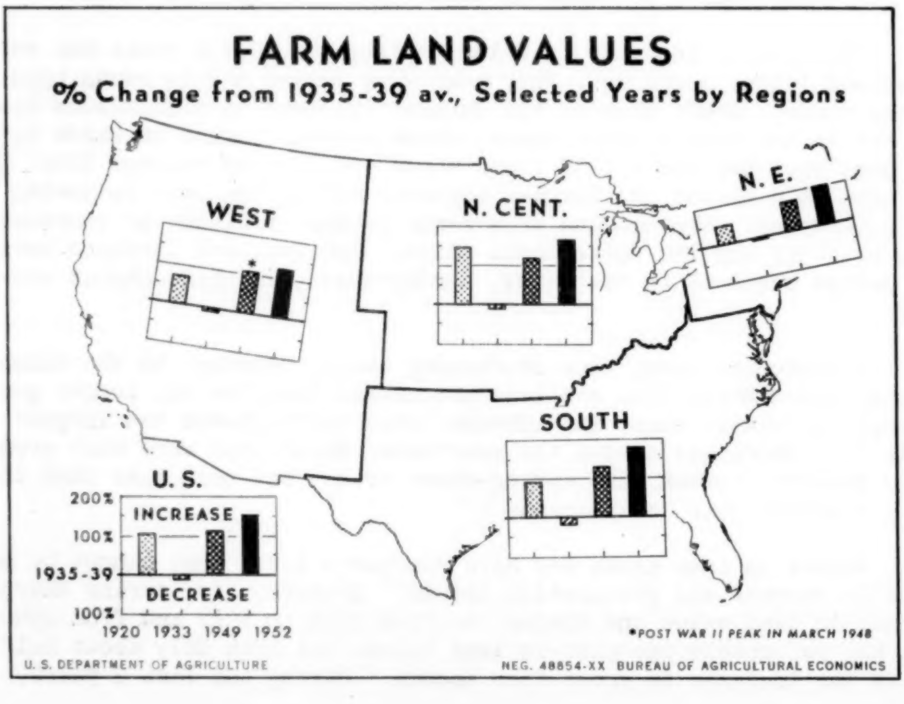

FIGURE 2

however, values have increased a little more than farm income. This was especially apparent during the first year following the Korean outbreak, when cash receipts from farm marketings increased 12 percent, but land values increased 17 percent (table 3). It seems likely that at least half of this rise in land value was due to sharply increased demand for farm land as an investment and inflation hedge. However, net farm income did not increase as much following the Korean outbreak as may have been anticipated because farm production costs continued to rise, and many of the inflationary forces in the general economy have subsided. That part of the rise in land values which was based on an expected increase in net farm income that was not realized still remains in the land-price structure and could contribute to a moderate decline during the next several years, even though farm income remains near present levels.

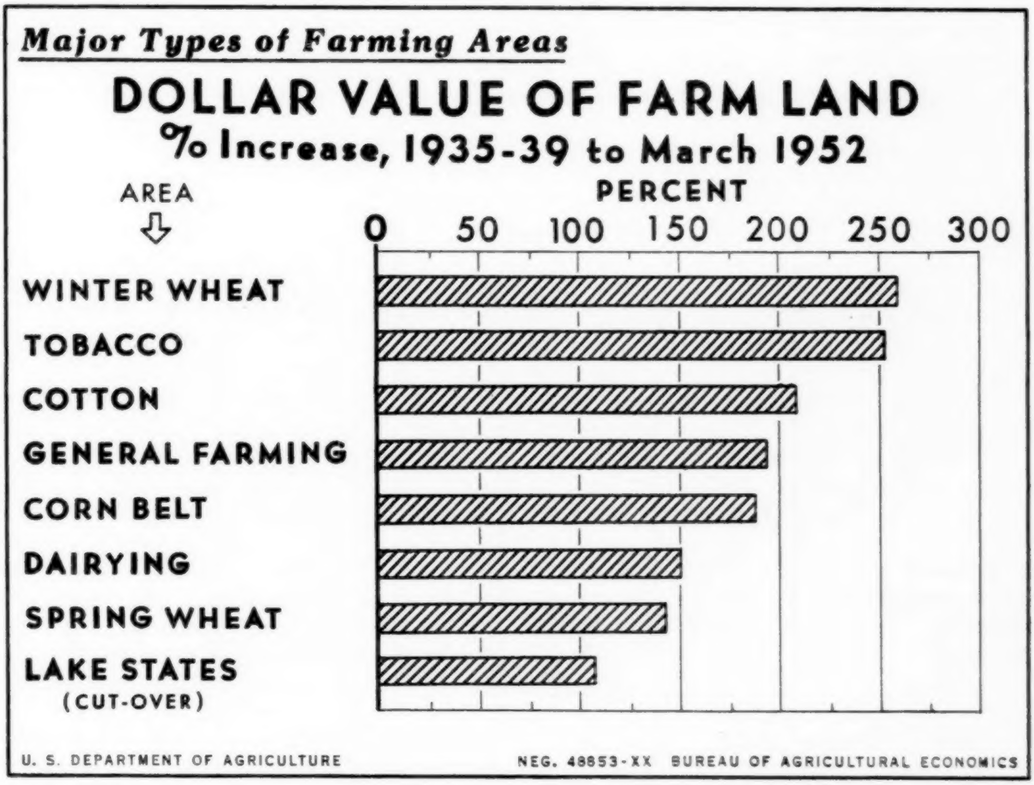

FIGURE 3

Table 2.- Farm real estate: Change in average value per acre, major type-of-farming areas, selected periods, 1935-52

Type-of-farming area	Change during year ended March 1951	Change during year ended March 1952	Increase March 1950 to March 1952	Increase, 1935-39 average, to March 1952
	Percent	Percent	Percent	Percent
Winter wheat	21	7	29	259
Tobacco	15	14	30	253
Cotton	15	12	28	208
General	13	9	23	194
Corn Belt	18	7	27	189
Dairy	14	9	25	150
Spring wheat	7	15	23	143
Lake States cut-over	17	-2	14	107
United States	14	9	25	155

Table 3.- Farm real estate and cash receipts from farm marketings: Percentage increase for selected periods, years ending June 30

Region	Increase in cash receipts			Increase in land values		
	1950 to 1951	1951 to 1952	1950 to 1952	1950 to 1951	1951 to 1952	1950 to 1952
	Percent	Percent	Percent	Percent	Percent	Percent
Northeast	12	2	14	11	4	15
North Central	14	3	18	18	6	26
South	7	14	22	19	8	28
West	17	18	37	18	2	20
United States	12	9	22	17	5	24

Farm-Mortgage Debt

Farm-mortgage debt is increasing in 1952 for the seventh consecutive year, and at the end of the year it will probably total about $6.7 billion. This compares with $6.6 billion on July 1, 1952, $6.3 billion on January 1, 1952, and $4.7 billion on January 1, 1946, when the total farm-mortgage debt was at its postwar low (fig. 4).

The latest Farm Credit Administration interest rate survey in March 1951 showed an average rate of 4.7 percent on new mortgages recorded. Since March 1951 there has been some increase in interest rates and yields generally, particularly in Government securities, and moderate increases in interest rates on farm mortgages have resulted. Many private lenders report increases of about one-half of 1 percent in the rates charged on new mortgages since March 1951; increases also have been made by two Federal land banks (fig. 5).

Farm-mortgage recordings for 1952 will probably be below those of 1951 in both number and dollar amount. In the first 6 months of 1952 the number of farm mortgages recorded was 6 percent less than in the same period in 1951 and the dollar amount was down 2 percent. The decline in recordings probably reflects somewhat stricter lending policies for some lenders and a decline in the number of farm sales. However, 63 percent of farm sales were financed by use of credit in early 1952 - the highest in recent years - and land values in July 1952 averaged 5 percent above a year earlier.

A farm-mortgage debt of $6.7 billion on January 1, 1953 would represent an increase of about 7 percent during 1952. This is less than the 8-percent increase in 1950 and 1951, but it is a larger percentage increase than in any other years since 1920. The estimated 1953 debt would be 43.4 percent above the $4.7 billion owed in 1946, but well below the high of $10.8 billion owed by farmers in 1923 (figs.6 and 7). Increases in farm-mortgage debt in recent years have varied considerably by regions (table 4).

An increasing proportion of the farm-mortgage loans in recent years has been held by insurance companies, banks, and individuals. In early 1952, life insurance companies held about 24 percent of the farm-mortgage debt, compared with 19 percent in 1946. Insured commercial banks held 11 percent in 1946 and 16 percent in 1952. The share of total farm-mortgage debt held by the Farmers Home Administration decreased slightly, from 3.9 percent of the total in 1946 to 3.7 percent in 1952, and the share of the Federal land banks fell from 23 to 16 percent. This downward trend in the share of the Federal land banks may have been reversed during 1952. "Other" lenders held 40 percent of the total in 1952 - a small rise from 38 percent in 1946 (fig. 8).

The current level of farm-mortgage debt, in the aggregate, does not seem excessive in view of the present levels of farm income and farm real estate values. At the beginning of 1952, total farm-mortgage debt was only 6.7 percent of the value of farm real estate, compared with 7.6 percent in 1946 and 19.6 percent in 1940. Estimated interest charges on farm-mortgage debt in 1952 represented less than 1 percent of farmers' gross receipts from marketing. Aggregate figures do not show the position of individual farmers, however. Younger farmers and others who have purchased farms at

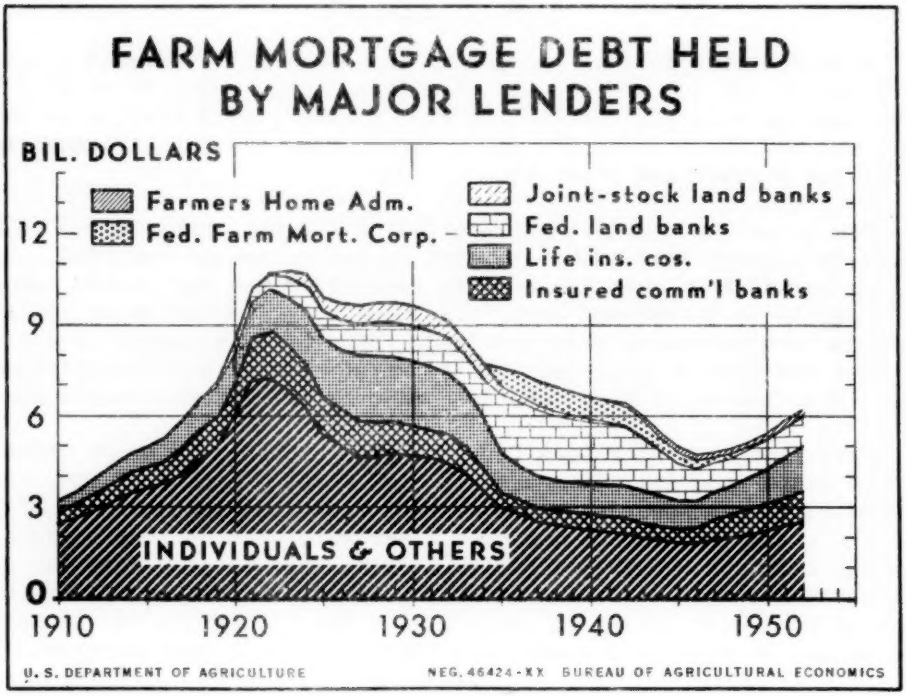

FIGURE 4

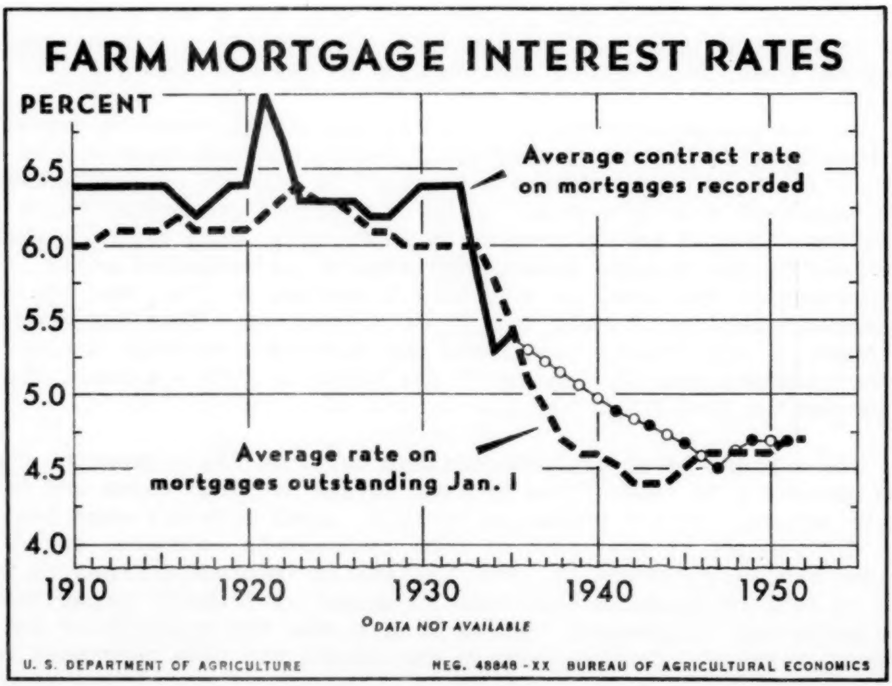

FIGURE 5

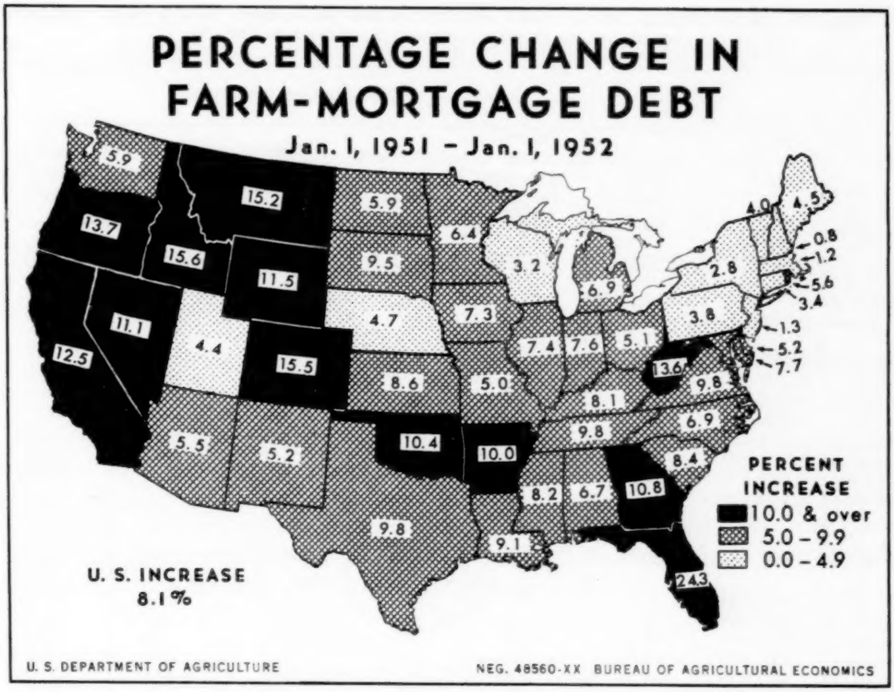

FIGURE 6

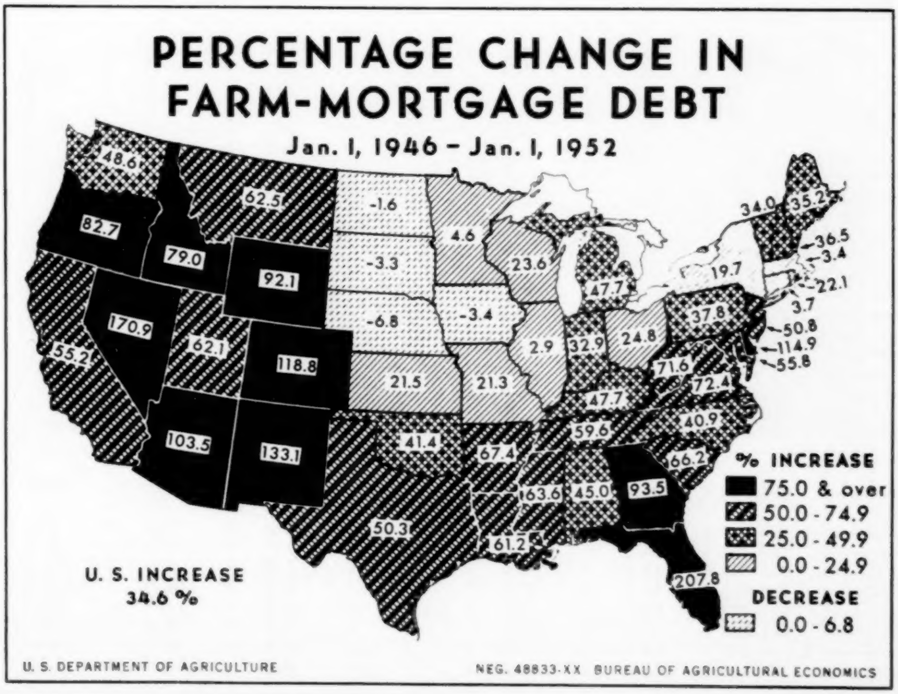

FIGURE 7

Table 4.- Farm-mortgage debt: Total outstanding and percentages held by major lenders, by principal regions, January 1, 1940 and 1945-52

Region	Total farm-mortgage debt	Distribution by lender: Federal land banks	Federal Farm Mortgage Corporation	Joint-stock land banks	Farmers Home Administration	Life insurance companies	Insured commercial banks	Individuals and others
	1,000 dollars	Percent	Percent	Percent	Percent	Percent	Percent	Percent
United States:								
1940	6,586,399	30.5	10.8	1.4	0.5	15.0	8.1	33.7
1945	4,932,942	24.5	7.1	.1	3.9	18.9	9.1	36.4
1946	4,681,720	23.0	5.1	.1	3.9	18.9	10.8	38.2
1947	4,777,355	20.4	3.1	1/	4.0	18.6	14.3	39.6
1948	4,881,744	18.2	2.2	1/	4.0	19.2	16.3	40.1
1949	5,108,183	17.0	1.5	1/	3.7	20.3	16.6	40.9
1950	5,407,310	16.7	1.1	1/	3.5	21.7	16.3	40.7
1951	5,827,586	16.3	.7	-	3.7	23.0	16.2	40.1
1952	6,299,576	15.8	.5	-	3.7	24.2	15.6	40.2
Northeast:								
1940	522,654	19.1	7.6	1.3	.1	.2	11.2	60.5
1945	408,653	18.2	6.7	-	1.5	.6	11.8	61.2
1946	394,048	17.5	6.0	-	1.4	.8	13.3	61.0
1947	418,057	16.5	3.6	-	1.9	1.3	18.5	58.2
1948	437,031	15.5	2.5	-	2.3	2.5	21.1	56.1
1949	455,806	14.7	1.8	-	2.2	3.9	21.8	55.6
1950	466,204	14.6	1.4	-	2.2	4.9	22.5	54.4
1951	485,995	14.2	1.0	-	2.4	5.6	23.0	53.8
1952	500,396	14.1	.7	-	2.4	6.4	23.4	53.0
North Central:								
1940	3,599,505	30.5	10.7	1.3	.2	19.5	6.3	31.5
1945	2,615,005	25.0	6.5	.2	2.2	26.6	8.4	31.1
1946	2,394,262	24.3	4.2	.1	2.2	27.3	10.1	31.8
1947	2,308,379	21.6	2.6	.1	2.2	27.2	13.1	33.2
1948	2,227,289	19.3	1.9	1/	2.2	26.6	15.4	34.6
1949	2,260,151	18.1	1.3	1/	2.1	26.9	16.2	35.4
1950	2,348,515	18.0	1.0	1/	2.0	27.5	16.1	35.4
1951	2,519,151	17.6	.7	-	2.2	28.5	16.5	34.5
1952	2,677,891	17.3	.5	-	2.3	29.7	16.0	34.2
South:								
1940	1,502,187	35.3	12.0	2.1	1.4	14.8	8.5	25.9
1945	1,184,935	26.7	8.1	.1	10.0	15.4	9.9	29.8
1946	1,173,352	23.9	6.1	1/	9.7	14.9	12.0	33.4
1947	1,270,826	20.8	3.6	1/	9.2	15.0	16.1	35.3
1948	1,362,171	18.5	2.4	1/	8.8	16.7	17.7	35.9
1949	1,455,953	17.2	1.6	-	7.9	18.3	17.6	37.4
1950	1,576,759	16.7	1.1	-	7.2	20.2	17.2	37.6
1951	1,716,165	16.1	.7	-	7.3	21.8	16.7	37.4
1952	1,885,853	15.5	.5	-	7.0	22.8	15.8	38.4
West:								
1940	962,053	29.4	11.3	.7	.1	6.3	12.5	39.7
1945	724,349	22.6	7.7	1/	1.6	7.3	8.9	51.9
1946	720,058	20.5	5.9	1/	1.6	7.3	10.2	54.5
1947	780,093	18.3	3.4	1/	1.8	8.5	12.7	55.3
1948	855,253	16.4	2.4	-	1.8	12.4	13.7	53.3
1949	936,273	15.1	1.7	-	1.8	15.4	13.4	52.6
1950	1,015,832	14.9	1.2	-	1.7	18.3	12.3	51.6
1951	1,106,275	14.4	.8	-	2.1	19.9	11.8	51.0
1952	1,235,436	13.6	.5	-	2.3	21.6	11.0	51.0

1/ Less than 0.05 percent.

higher prices in recent years probably find that interest and scheduled principal repayments require a substantial share of their gross cash income. In the event of any substantial downward movement of prices, these farmers might face serious difficulties.

The outlook is for a further increase in farm-mortgage debt in 1953, although at a somewhat lower rate than in 1951 and 1952. Because of rising farm costs, the volume of principal payments may not exceed regular payments by as much as in recent years. The volume of voluntary farm real estate transfers probably will be a little below 1952, continuing the downward trend of the last 5 or 6 years. The proportion of land sales financed on credit has been increasing in recent years and probably will be higher in 1953. Foreclosures and delinquencies in 1953 will continue to be negligible with scheduled interest and principal payments met on time, except possibly in drought or disaster areas.

Mortgage money for financing farm purchases is expected to be adequate in 1953 on terms similar to those of 1952, in large part because of the currently high level of personal savings. The share of new mortgage money supplied by the Federal land banks is expected to increase next year, but other lenders will continue to make the largest proportion of new mortgage loans as in recent years.

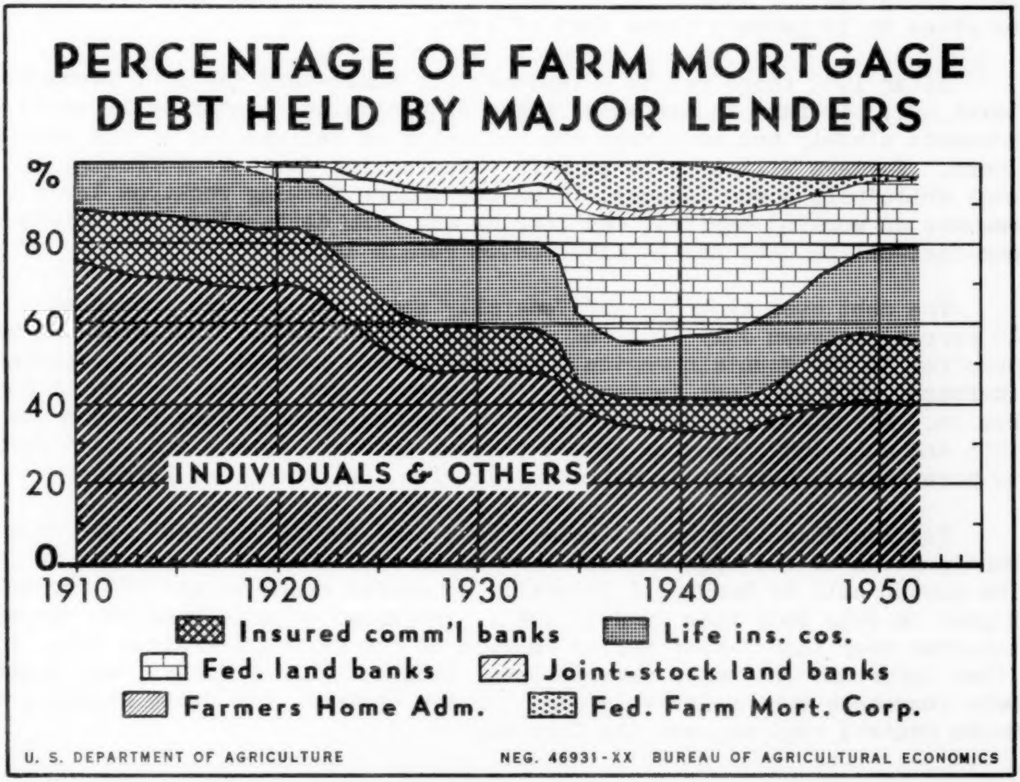

FIGURE 8

Non-Real-Estate Debt

Non-real-estate debt owed by farmers to all types of lenders and creditors on July 1, 1952 (excluding nonrecourse Comodity Credit Corporation loans) was estimated at $8.3 billion, of which $4.8 billion was owed to banks and federally sponsored lenders, and $3.5 billion to miscellaneous lenders. This total non-real-estate debt is about 12 percent above a year earlier and is substantially above any previous level (fig. 9).

For the next year or so it is probable that non-real-estate debts of farmers will continue to increase in most sections of the country. The rate of rise, however, is expected to be slower. One big factor that will tend to check the increase, especially in the Midwest and far West, is the decline in feeder and range livestock prices. Also, the upsurge in machinery purchases following the Korean outbreak has subsided. Further, debts are very large in many instances, and efforts will be made to reduce them. On the othe hand, cash costs remain high, and as long as farm income prospects are favorable, farmers will continue to use credit to keep production high. When the drought areas recover, particularly the Southwest, a more-than-average increas in non-real-estate credit may be used to restock herds and to catch up on machinery purchases. By January 1, 1953, the total non-real-estate debt (excluding nonrecourse CCC loans) for the United States will be about $8 billio Although this represents a seasonal decline from July, it will be about 10 per cent above that of January 1, 1952. Throughout 1953 the debt will probably be close to 10 percent above that of 1952.

After 1953 there may be a tendency for short-term debts of farmers to level off. If farm income shows signs of declining, lenders will watch their accounts closely and encourage the reduction or refinancing of the heavier loans. Farmers will usually be more conservative in their borrowing if they anticipate lower incomes. However, modern farming requires large amounts of working capital, and barring any farm depression, the volume of non-real-estate debt may be expected to remain large.

The debt owed to banks and federally sponsored lenders increased 15 percent between July 1951 and July 1952. The largest increase - 20 percent occurred in the Mountain region. The West North Central had a 19-percent increase. The smallest increase - 10 percent - was in the West South Central region. All States showed increases in non-real-estate debt between July 1951 and July 1952, ranging from 1 percent in North Dakota and South Carolina to more than 25 percent in Nebraska, Florida, Colorado, and Nevada.

The increase in non-real-estate farm debt during the last year is a continuation of the upward trend that began with the end of the war in 1945. The amount held by banks and federally sponsored agencies was 164 percent higher in July 1952 than in July 1945. Increases of more than 200 percent occurred over this 7-year period in most of the Corn Belt States (fig. 10). Other important increases were in Pennsylvania, Oregon, Kansas, and Kentucky. Debt increases were relatively small in New England, the South Atlantic and South Central regions, and the Dakotas.

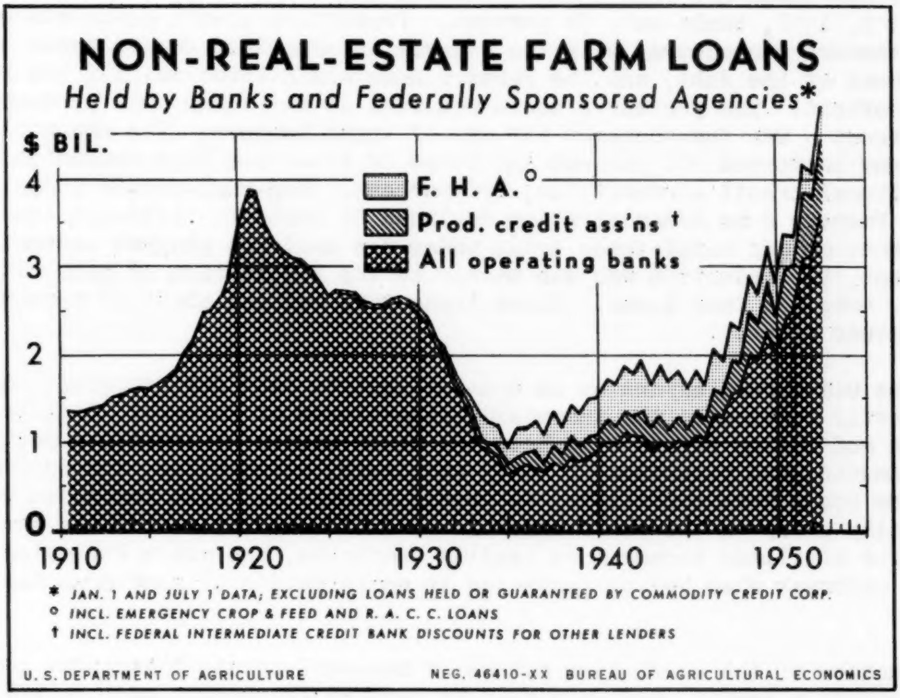

FIGURE 9

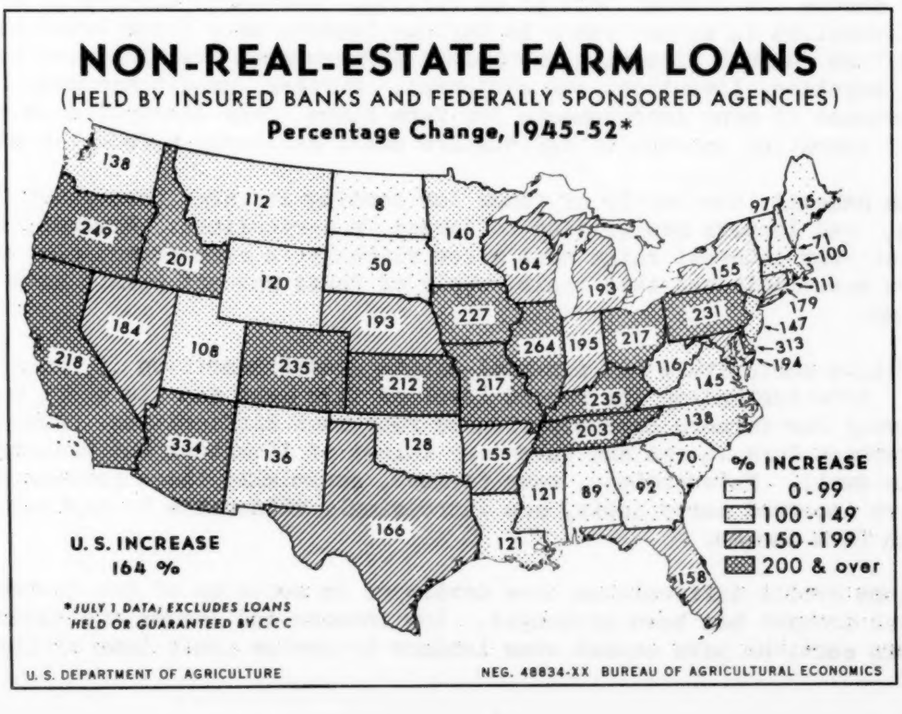

FIGURE 10

Of the total non-real-estate farm debt held by the principal lenders on July 1, 1952, banks held 74 percent. Production credit associations and other lenders discounting with the Federal intermediate credit banks held 18 percent of the debt, and the Farmers Home Administration held the remaining 8 percent. The postwar rise in non-real-estate loans held by banks - 235 percent - was the greatest for any of these lenders. The amount of PCA loans increased 201 percent and those of livestock loan companies and agricultural credit corporations, 228 percent. Non-real-estate loans held by the Farmers Home Administration declined 22 percent. Although the volume of production and subsistence loans under the main FHA program decreased 7 percent, the reduction was due mainly to the liquidation of many old emergency crop and feed loans. These loans were reduced about 78 percent during the postwar years.

The widespread expansion in non-real-estate debt during recent years is directly related to the increased expenditures of farmers. High production and rising prices have been the chief causes of increased costs. Farm improvements, and purchases of heavy machinery, automobiles, and appliances for farm homes have contributed to credit expansion. Debt increases were especially sharp in the years immediately following the end of the war when goods for civilians became more readily available, and again following the Korean outbreak when buying increased in anticipation of shortages and rising prices.

Because of the short-term nature of non-real-estate loans, the actual amount of this credit used each year by farmers is usually much greater than the amount of debt outstanding at any one time. In some areas the amounts borrowed are more than twice the average debt during the year. Thus, during 1952 as a whole, the amount of short-term credit used by agriculture may be nearly double the current debt of $8 billion. The large amounts of this credit supplied in recent years by various lenders have contributed to the record farm output; financing has helped farmers meet the high cash costs of labor, supplies, livestock, and equipment. Further, credit has made possible the purchase of many improvements for farm homes. Any disruption in the flow of operating capital to agriculture could seriously affect the enterprise.

In general, the supply of funds for lending is large throughout the Nation, and lenders are willing to invest in agriculture. However, during the last year interest rates have risen slightly in some areas; also a few lenders have indicated that their supply of funds may not permit much increase in loans.

Within agriculture the non-real-estate credit condition is, on the whole, sound. Notwithstanding the record level of this debt and its short term, relatively few farmers have experienced repayment difficulties. Compared with current farm income and inventory values of livestock and machinery, the debt is small. Nevertheless, some farmers, especially those getting started who have incurred heavy debts, are increasingly vulnerable to any significant drop in farm income.

Some credit difficulties have developed in sections of the Southwest in which drought has been prolonged. Low incomes and inadequate security in these sections have caused some lenders to review their loan applications

more carefully. This may hamper some farmers in their production programs for this coming season. Numbers of livestock have been reduced, and expenditures such as those for machinery have been curtailed. Notwithstanding the repayment difficulties, no unusual volume of chattel foreclosures has been reported. Most bankers and other lenders are willing to renew old notes and provide necessary amounts of new operating credit for their regular customers. However, advances under the disaster loan program of the Farmers Home Administration are expected to increase substantially.

Drought also has affected credit conditions in other sections such as the northern Plains and parts of the South and East. Moreover, the decline in livestock prices has had an important impact in parts of the North Central and Western regions. In these areas, the carry-over of unpaid loans will be greater this year than last year and more of these short-term loans may be refinanced by long-term farm real estate loans. Some of the larger loans made for the purchase of machinery or for farm improvements will be most difficult to repay. In general, however, the difficulties in these areas are considered temporary and credit for productive purposes will not be curtailed by lenders. But more caution will probably be used in the extension of consumer credit, and possibly for farm machinery.

Liquid Financial Assets

Farmers are continuing to increase their financial reserves this year. By January 1, 1953, it is expected that the liquid savings - deposits, currency, and United States Savings Bonds - will total about $21.5 billion, a billion more than at the beginning of 1952.

Of the billion-dollar increase, about $500 million will be in the form of currency and demand deposits. To a large extent, currency and demand deposits are kept in readiness to cover farm operating expenses, and farmers' needs for such funds increase as their operating expenses rise. For this reason, farmers frequently borrow to maintain their working balances at required levels.

Time deposits and United States Savings Bonds represent savings held for longer run purposes. Together, they are expected to increase about $400 million during 1952 compared with an increase of only 100 million during 1951. Before 1952, farmers used their current savings largely to make investments in machinery and improvements. The physical plant of agriculture is now in relatively good condition. There may be a tendency for some farmers to hold their savings in liquid form rather than make further investments in their farms.

Demand deposits of banks in the agricultural counties appear to be increasing in all areas. The increases between July 1951 and July 1952 ranged from about 3 percent in the Corn Belt to about 12 percent in the Northeast and Southeast. Time deposits rose sharply in all sections of the country, with the increase greatest in the Texas-Oklahoma area and smallest in the Northeast. The volume of savings bonds cashed by farmers continues to exceed the volume of new bonds purchased. The net increase in the

redemption value of holdings has been due solely to the accrual of interest. Only in the Great Plains did purchases of bonds exceed redemptions during the first half of 1952. Nevertheless, the rate of redemption by farmers for the United States as a whole was less during the first half of 1952 than during 1951.

During the next few years, the trend of farmers' holdings of currency and demand deposits - the funds used to cover current costs - will depend mainly on the trend of farm income and expenditures. If costs decline, farmers will need less operating funds. If incomes decline, they will find it more difficult to maintain operating funds. Under these conditions their financial reserves in the form of savings bonds and time deposits might also decline somewhat. However, if a decline in income is anticipated, there would probably be a greater urge to save for the future.

Farm Taxes

Farmers in most States paid more taxes in 1952 than in the preceding year, and they probably will pay still more in 1953. Revenue demands of State and local governments seem likely to continue upward, and there is little prospect of a decline in Federal requirements through the coming year.

An increase of about 5 percent in farm real estate levies and a slightly greater increase in farm personal property taxes is expected in 1953. Currently, farm real estate taxes are increasing most in the Northeastern and North Central States, and least in the South; the same trend is expected in the coming year. Unlike income taxes, farm property levies are highly rigid and would not be affected directly by a decline in farm income following 1953.

Higher Federal income tax rates became fully effective in 1952 and are assumed to remain in force next year. With taxable income of farmers slightly lower, the amount paid on that income in 1953 will not change greatly. A few State governments lowered their effective income tax rates in 1952.

Retail sales tax laws were changed very little by the 18 State legislatures that met in 1952. A few legislatures lowered gasoline taxes but more raised them, and the amounts paid by farmers next year are expected to increase.

Insurance

The expenditures of farmers for property insurance probably will be higher in 1952 than in either 1951 or 1950. If farm property valuations continue to increase, further increases in insurance costs are expected in 1953.

Although information is not available for all classes of insurance companies or types of farm property, the insurance carried by farm mutual fire insurance companies (about a fifth of which also offer windstorm insurance) has increased steadily in recent years - 10 percent in 1950 and 11 percent in 1951. The increased assessments paid by farmers to these companies have been due primarily to increases in the amounts of insurance carried, rather than to increases in assessment rates. In fact, assessment rates were somewhat less in 1951 than in 1950 - 26.7 cents per $100, compared with 27.2 cents. The total assessments levied by these companies amounted to about $72 million in 1951, out of which losses of $41 million and expenses of $23 million were paid. The remaining $8 million was added to safety funds or reserves. Such funds help to stabilize assessment rates between years. They amounted to about $147 million, or 52 cents per $100 of insurance, at the end of 1951.

Losses paid by the farm fire mutuals amounted to about 15.3 cents per $100 of insurance in 1951 - operating expenses, 8.5 cents. Therefore the total cost (losses plus operating expenses) amounted to 23.8 cents per $100 of insurance, compared with 23.0 cents in 1950. Costs per $100 in 1950 were 3.3 percent lower than in 1951.

Several studies have shown that the amount of insurance carried on many farm buildings has not been increased in recent years to meet higher sale values and replacement costs. Farm machinery, livestock, and stored crops are often left uninsured or covered only for a small fraction of their value. Large losses, if not covered by insurance, would be especially hard to meet if net farm income should decline.

Regional Situation and Outlook

Northeast

Farm Real Estate Values.- As in the past, the trend in land values in the various regions will be influenced by local crop conditions and price trends for the major farm commodities of each area. Changes in the Northeast are likely to be less pronounced than elsewhere because farm income in that area is relatively stable. A generally favorable long-term outlook for dairying and continued demand for rural residence and home sites are the major factors that will tend to sustain land values in this area. But even a moderate rise in production costs, especially for feed and hired labor, would be an offsetting factor.

Non-Real-Estate Credit.- Despite drought in some areas last summer, the short-term credit condition of farmers in this region is good. Dairy income has continued relatively high and the poultry situation has improved since last spring. Prices of potatoes, apples, tobacco, and other crops are generally favorable. Loan difficulties are negligible and no large volume is being refinanced by long-term real estate loans. However, loans are at relatively high levels and lenders are scrutinizing loan applications somewhat more carefully now than a year ago.

For 1953, further small increases in non-real-estate farm debt are expected. This will result from generally rising operating expenses, especially for labor. More farmers may need to borrow because of these increased costs. One factor that may reduce production loans is the expected decline in the price of dairy cows. On the whole, agriculture of this area serves local urban markets and so long as these markets remain favorable, no serious credit difficulties are anticipated (fig.11).

Farm-Mortgage Debt.- Farm-mortgage debt in the Northeast has been increasing since the beginning of 1946, and the outlook is for further moderate increases in the next few years. On January 1, 1952, total farm-mortgage debt in this region was 3 percent above 1951 and 27 percent higher than in 1946. Increases in 1952 and 1953 are likely to be small. In the first half of 1952, mortgage recordings were down slightly from the first half of 1951.

Farm-mortgage interest rates are now mostly 4½ to 5 percent in this area. No general increases have occurred since the first half of 1951. The Federal land bank rate in this area is now 4½ percent. Indications are that interest rates on farm mortgages have stabilized and no further increases are expected in the near future.

Current reports are that lenders are becoming more selective in reviewing applications for farm-mortgage loans, but are continuing to make loans in about the same volume as last year. There seems to be no large volume of short-term farm loans refinanced into farm-mortgage loans, and repayment difficulties are not common. Some lenders are reported to be concerned about rising farm operating costs.

In recent years there have been decided changes in the relative importance of the various farm-mortgage lenders. Life insurance companies have expanded rapidly their holdings of farm mortgages in this region. Insured commercial banks and the Farmers Home Administration hold substantially larger shares of an increased total than in 1946. On the other hand, the shares held by the Federal land banks, Federal Farm Mortgage Corporation, and individuals and miscellaneous lenders have consistently declined in this period. However, individuals and other miscellaneous lenders still hold 53 percent of the total farm-mortgage debt -- more than in any other region. The percentage shares for other lenders are: Insured commercial banks, 23 percent; life insurance companies, 7 percent; Federal land banks and Federal Farm Mortgage Corporation, 15 percent; and Farmers Home Administration, 2 percent (table 4). The downward trend in the share of the Federal land banks in this area may have been reversed in the last year, since current indications are that they are increasing their proportion of farm mortgages recorded.

Agricultural conditions in the Northeast are usually relatively stable and if net farm income continues near 1952 levels, further increases in farm-mortgage debt should be moderate. The current level of farm-mortgage debt does not seem, in the aggregate, to be excessive, and only a substantial decline in net farm income could cause widespread difficulty.

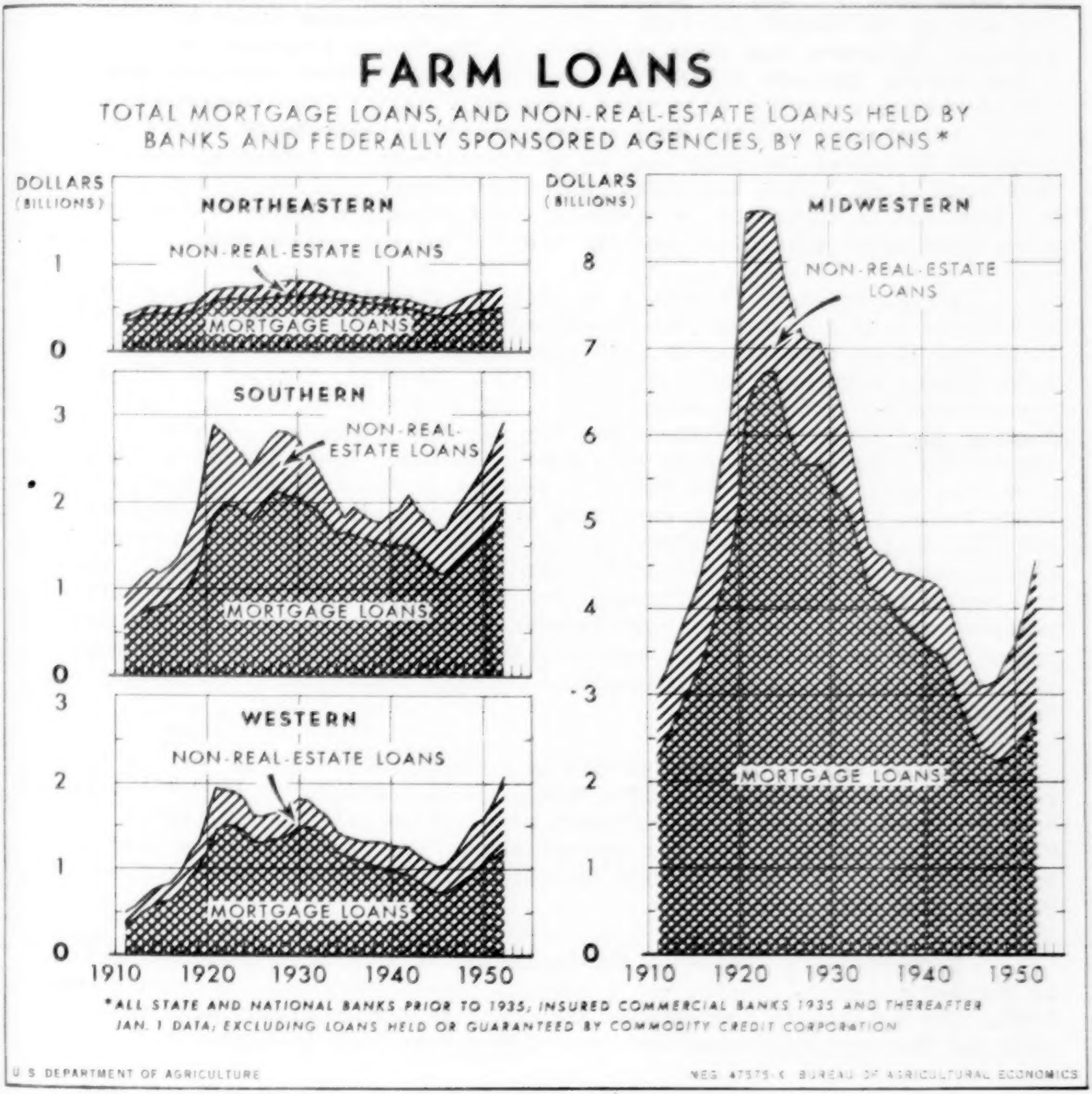
FARM LOANS
TOTAL MORTGAGE LOANS, AND NON-REAL-ESTATE LOANS HELD BY BANKS AND FEDERALLY SPONSORED AGENCIES, BY REGIONS *
DOLLARS (BILLIONS)
NORTHEASTERN
NON-REAL-ESTATE LOANS
MORTGAGE LOANS
SOUTHERN
NON-REAL-ESTATE LOANS
MORTGAGE LOANS
WESTERN
NON-REAL-ESTATE LOANS
MORTGAGE LOANS
MIDWESTERN
NON-REAL-ESTATE LOANS
MORTGAGE LOANS
0
1
2
3
4
5
6
7
8
1910
1920
1930
1940
1950
*ALL STATE AND NATIONAL BANKS PRIOR TO 1935; INSURED COMMERCIAL BANKS 1935 AND THEREAFTER
JAN. 1 DATA; EXCLUDING LOANS HELD OR GUARANTEED BY COMMODITY CREDIT CORPORATION
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FIGURE 11

North Central

Farm Real Estate Values.- Land values in the North Central States are influenced not only by price trends for livestock and cash grains, but also by the demand for farm land as an inflationary hedge by non-farmers. This area has shown a substantially larger increase in land values during the last 2 years than the increase in cash receipts from farm marketings appears to warrant. Possibly half of the 26-percent increase in values since the Korean outbreak can be attributed to the sharp increase in demand for farm land as an investment and inflation hedge that took place during the first year after Korea. Unless this part of the increase is supported by increased farm income, a moderate downward adjustment might take place in this area during the coming year.

Non-Real-Estate Credit.- In general, credit conditions in this region are sound, although the amount of non-real-estate credit used has increased at an exceptionally high rate during recent years (fig. 12). Farm incomes have continued at high levels. However, because of narrow margins and the poor corn crop of 1951, returns from cattle and lamb feeding in 1952 were less than expected and some feeders will have a large loan volume to carry over to this coming season. Lower prices of hogs have also made it difficult for many farmers in this region to repay their loans. The excellent corn crop this year will do much to improve the financial position of farmers. In the Dakotas dry weather reduced wheat production, but the reduction was less serious than expected. For the region as a whole, most farmers who are experiencing repayment difficulties are able to arrange with lenders to carry their accounts to next year. There are indications, however, that a few farmers are overbought on farm machinery and are finding it hard to get extensions of time on this kind of credit.

The volume of non-real-estate debt during this coming year is expected to be only slightly higher than in 1952. Prices of feeder cattle have declined this fall and, although more cattle will be fed, total volume of feeder loans for the current season may be slightly smaller than last year. It also appears that loans for equipment purchases may be down from this year.

Farm-Mortgage Debt.- At the beginning of 1952 farm-mortgage debt in the North Central States was 6 percent above 1951 and 12 percent above 1946. The outlook is for further increases in farm-mortgage debt this year and the next few years but at a slower rate than in 1951.

Farm-mortgage interest rates have increased since the first half of 1951 but it is not anticipated that further increases will occur. Some short-term credit is now being refinanced with longer term real-estate loans, although the volume of this refinancing does not appear to be large at present. The differential between short-term rates of 6 percent or more and real-estate mortgage-loan rates as low as 4 to $4\frac{1}{2}$ percent has encouraged some farmers to shift their short-term obligations into real-estate loans. Lenders are generally reported to be screening applications for mortgage loans more carefully but few repayment difficulties are reported.

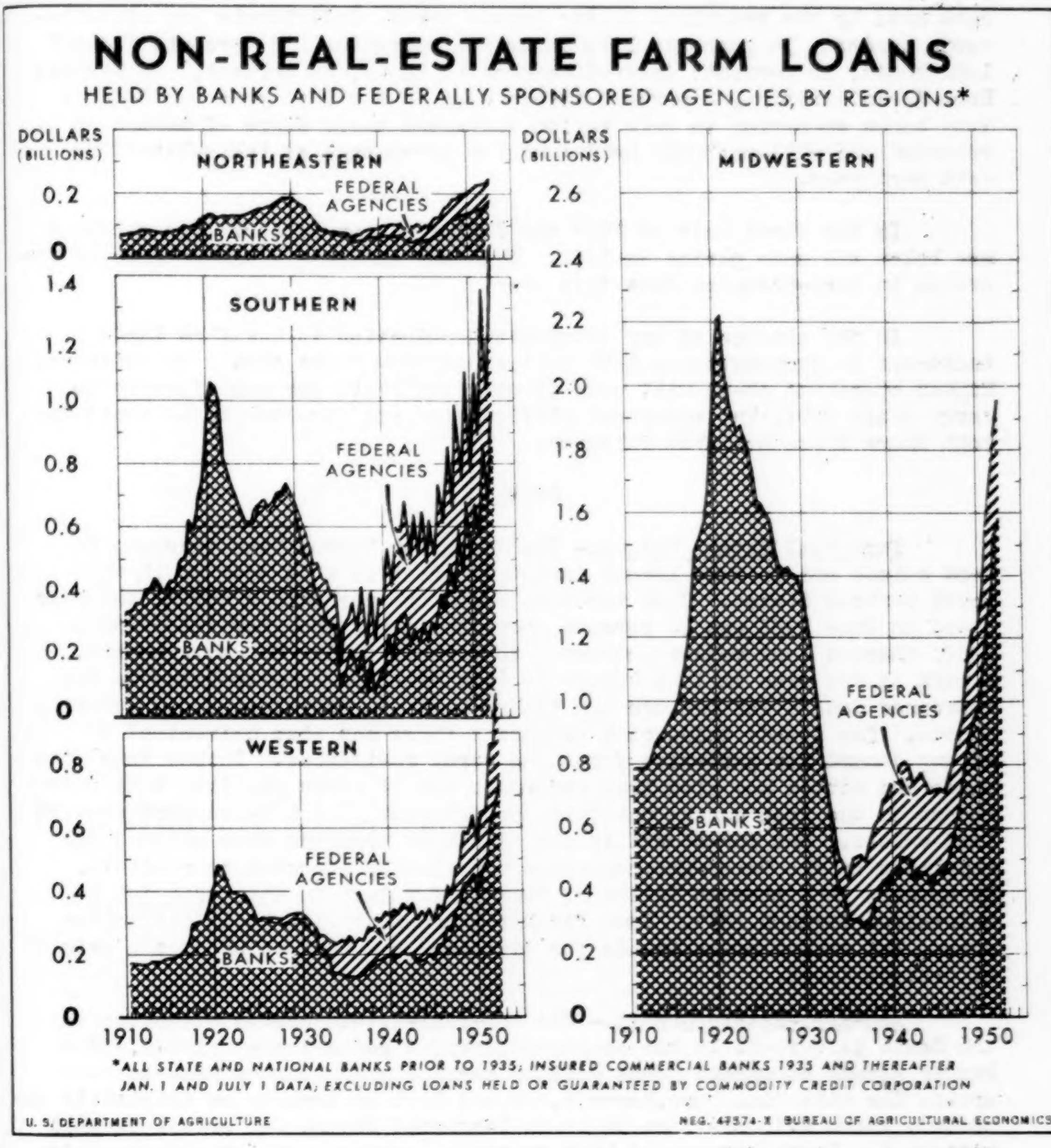
NON-REAL-ESTATE FARM LOANS
HELD BY BANKS AND FEDERALLY SPONSORED AGENCIES, BY REGIONS*
DOLLARS (BILLIONS)
NORTHEASTERN
SOUTHERN
WESTERN
MIDWESTERN
FEDERAL AGENCIES
BANKS
0.2
0
1.4
1.2
1.0
0.8
0.6
0.4
2.6
2.4
2.2
2.0
1.8
1.6
1910
1920
1930
1940
1950
*ALL STATE AND NATIONAL BANKS PRIOR TO 1935; INSURED COMMERCIAL BANKS 1935 AND THEREAFTER
JAN. 1 AND JULY 1 DATA; EXCLUDING LOANS HELD OR GUARANTEED BY COMMODITY CREDIT CORPORATION
U. S. DEPARTMENT OF AGRICULTURE
NEG. 47574-X BUREAU OF AGRICULTURAL ECONOMICS

Figure 12

As in other regions, the share of the total farm-mortgage debt held by the Federal land banks and the Federal Farm Mortgage Corporation has been declining, whereas that of most other lenders has been increasing. At the beginning of 1952 the proportions of total farm-mortgage debt held by the principal lender groups were: Individuals and miscellaneous lenders, 34 percent; life insurance companies, 30 percent; Federal land banks, 18 percent; insured commercial banks, 16 percent; and Farmers Home Administration, 2 percent (table 4). In the last year the Federal land banks operating in this region increased their share of mortgages recorded and will probably hold a higher percentage of the outstanding debt next year.

In the first half of 1952 the dollar amount of mortgages recorded was below the same period in 1951. This may indicate a slower rate of increase in farm-mortgage debt this year.

In the absence of any substantial reduction in net farm income, increases in farm-mortgage debt in the next few years should be moderate. Higher operating costs will make it more difficult for some farmers to carry their debt, but repayment difficulties are expected to be small except where there are crop failures.

South

Farm Real Estate Values.- The disparity between the increase in land values and in farm income is not as great in this area as in the North Central States. Cash receipts from farm marketings during the year ended in June 1952 was 22 percent above those for the year ended June 1950, whereas land values increased 28 percent during the same period. A part of the rise in land values in this area can be attributed to the increased demand for pasture and timber lands in anticipation of future income. The steady industrial expansion there has also maintained a strong demand for part-time farms and rural residences. Income from tobacco and cotton has also been favorable and it seems possible that farm income in the area can be maintained sufficiently high to support present land values. The investment in farm lands of proceeds from oil and gas royalties in the Texas-Oklahoma area can also be expected to continue. It appears that present levels of farm land values in this area can be maintained through 1953. Some further increase is likely in the tobacco and cotton areas, but recent price trends for livestock may tend to check the prices of pasture lands.

Non-Real-Estate Credit.- The non-real-estate credit situation in the South is varied. In the Southeast, drought reduced crop yields, and a larger amount of unpaid loans will be carried over to next year in some areas. The situation here, however, has not been as serious as originally expected. There will continue to be an increased demand for credit in this part of the South because of high operating costs and the rapid expansion of livestock. Although some lenders may be nearly loaned-up, it is expected that the volume of loans will rise. However, lenders are becoming more careful in the selection of their borrowers, are restricting credit for some machinery items and consumer purchases, and are encouraging reduction of some of the larger loans.

In the central part of the South credit conditions are generally good. Loans for the current season are rapidly being repaid. Carry-over of unpaid loans will be smaller than last year.

In the winter-wheat areas a bumper crop in 1952 resulted in substantial pay-offs of non-real-estate loans. However, for large areas of the Southwest, especially parts of Texas, drought has made credit conditions more serious than elsewhere in the country. Breeding herds have been reduced because of poor pastures and lack of hay. Yields of most crops have been low. This has resulted in substantially increased delinquencies and loan carry-overs. Loan liquidations because of heavy reduction of livestock have tended to offset the increases resulting from carry-over loans. Smaller than average purchases of replacement cattle and machinery are reducing the volume of new loans.

To date, there are no signs that conditions in the drought areas of the Southwest will be materially improved next year. Fall seeding conditions were poor and the dry pastures may necessitate further livestock reductions. Loan repayment difficulties are expected to increase unless rains are general in this area. If these conditions continue, new credit will probably be curtailed by lenders. With the return of normal rainfall, a substantial volume of credit will be needed to restock herds and help farmers catch up on machinery purchases.

<u>Farm-Mortgage Debt.</u>- Farm-mortgage debt in the South at the beginning of 1952 was 10 percent higher than in 1951 and 61 percent above that of 1946. The outlook is for further increases in 1952 and 1953 but at a slower rate than in the last few years.

Dollar volume of farm-mortgage recordings during the first half of 1952 was about 8 percent larger than during the same period a year earlier. Interest rates on farm mortgages have increased little in the last year, but are above early 1951. On July 1, 1951, the Federal Land Bank of Columbia raised its rate to 5 percent, and on October 1, 1951, the Federal Land Bank of Baltimore raised its rate to $4\frac{1}{2}$ percent. The rates of the other Federal land banks operative in this region have remained unchanged at 4 percent.

Current reports indicate that except in drought areas little repayment difficulty is being encountered. Farm-mortgage lenders, especially banks, are becoming more selective in making loans and screening applications more carefully. Some banks are encouraging their customers to refinance short-term debts into longer term farm-mortgage loans from a Federal land bank or insurance company and are referring applicants for mortgage loans to them. Such refinancing, however, has not yet occurred on a large scale.

The proportion of outstanding farm-mortgage debt held by the Federal land banks, Federal Farm Mortgage Corporation, and the Farmers Home Administration has been declining for several years, whereas the proportions held by life insurance companies and individuals and miscellaneous lenders have increased. At the beginning of 1952 the relative importance of the various

lender groups was: Individuals and miscellaneous lenders, 38 percent; life insurance companies, 23 percent; insured commercial banks, 16 percent; Federal land banks and Federal Farm Mortgage Corporation, 16 percent; and Farmers Home Administration, 7 percent (table 4). The Federal land banks have been increasing their share of mortgages recorded in most of this region in the last year and will probably hold a higher percentage of the amount outstanding in 1953 than a year earlier.

The outlook for the next few years is for a further increase in farm-mortgage debt if net farm income holds near 1952 levels. Substantially lower net farm incomes could force a fairly large amount of refinancing of short-term debt into real estate loans. Repayment difficulties are likely to be small except where there are crop failures.

West

Farm Real Estate Values.- The West is the only region in which land values have increased substantially less than farm income during the last 2 years. Cash receipts from farm marketings during the year ended June 1952 were 37 percent above the pre-Korean level, but land values increased only 20 percent. This is about the usual relationship shown during similar periods in the past. Apparently, some allowance has been made for the recent downturn in prices of beef cattle and the exceptionally good returns of the last 2 years have not been fully capitalized into land values. This may help to prevent any sharp break in prices of range lands in the immediate future.

As wheat is the principal crop produced on dry-farming lands in this area, prices for this type of land depend largely on the income prospects for this crop. With large carry-over stocks and reduced export demand in prospect for wheat, some weakness could develop in prices of dry-farming lands this fall and winter. Crop prospects next spring, however, could change the outlook appreciably.

Prices of irrigated lands have not increased as much as grazing and dry-farming lands because production costs for such irrigated crops as sugar beets, potatoes, cotton, and vegetables have limited the increase in net income even though gross income from these crops has increased. Also, because production is largely independent of weather conditions, income from irrigated lands is more stable, and land values do not fluctuate as widely as for grazing and dry-farming lands. Consequently, any change from present prices is likely to be moderate.

Non-Real-Estate Credit.- Loan collections in the crop areas of the West are generally excellent. The loan volume will probably show a further increase during the coming year, but possibly not as large as during the last year.

The range livestock situation is less favorable. Feeders in the Corn Belt are delaying purchases and cattle and sheep prices are sharply below those of last year. This has resulted in slow repayment of

outstanding loans and some ranches have borrowed further to carry their livestock. Some loans are becoming large in relation to livestock values and may result in difficulties.

Farm-Mortgage Debt.- Since 1946, farm-mortgage debt in the Western States has increased more than in any other area. At the beginning of 1952 this debt was 72 percent above 1946 and 12 percent higher than in 1951. The outlook is for further debt increases in the next few years but at a slower rate.

In the first half of 1952 the dollar amount of farm-mortgage recordings was higher in the Berkeley Farm Credit District than in the same period in 1951, but lower in the Spokane District. The St. Paul, Omaha, and Wichita Districts, which are partly in the Western States, had decreases in recordings.

Interest rates have changed little during the last year, but those charged by insurance companies and banks are reported currently a little above early 1951. No significant change in rates is expected next year. No general repayment difficulties are reported, and there is little evidence of any appreciable refinancing of short-term farm loans with real estate loans. There is some evidence of increasing caution on the part of lenders in reviewing all types of loans.

Life insurance companies and the Farmers Home Administration are the only lenders to increase in recent years their shares of the total farm-mortgage debt in the Western States. Other lenders have held decreasing proportions of the total. At the beginning of 1952 individuals and miscellaneous lenders held 51 percent of the total and the proportions for other lenders were: Life insurance companies, 22 percent; Federal land banks and Federal Farm Mortgage Corporation, 14 percent; insured commercial banks, 11 percent; and the Farmers Home Administration, 2 percent (table 4). As in other regions, the Federal land banks have been increasing their share of new mortgages recorded in the last year.

In the next few years farm-mortgage debt is likely to increase moderately from present levels if net farm income holds near the 1952 figure. Repayment difficulties should not be common. Substantial increases in farm-mortgage debt are not expected unless net farm income declines sufficiently to induce refinancing of short-term credit with real estate loans.

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